

CITY OF JANESVILLE

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
& SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2009

# TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Activities and Net Assets – Cash Basis	A 9
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 10
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C 11
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E 13
Notes to Financial Statements	14-18
Required Supplementary Information:	
Budgetary Comparison of Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	19
Notes to Required Supplementary Information – Budgetary Reporting	20
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balance – Non-major Governmental Funds	1 21
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances – Non-major Proprietary Funds	2 22
Schedule of Indebtedness	3 23
Bond and Note Maturities	4 24
Schedule of Receipts by Sources and Disbursements by Function-All Governmental Funds	5 25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	26-27
Schedule of Findings	28-29

**City of Janesville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James MacKay	Mayor	January 2010
Scott Immerzeel	Mayor Pro tem	January 2010
Susan Stapleton	Council Member	January 2012
Richard White	Council Member	January 2010
Angela Watson	Council Member	January 2012
Doug Bettis	Council Member	January 2010
Christine Murley	CityClerk/Administrator	Indefinite
Dale Goeke	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Janesville's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

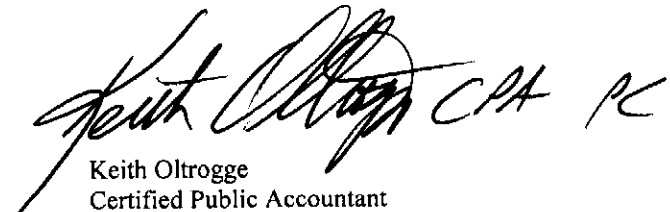
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than US generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2008.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balances at July 1, 2008, as discussed in preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 22, 2010 on my consideration of the City of Janesville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 22 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Janesville's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which is not presented herein) and expressed unqualified opinions on the financial statements which were prepared in conformity with other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

January 22, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Janesville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 5% or approximately \$39,000 from fiscal 2008 to fiscal 2009. Property tax increased approximately \$31,000.
- Disbursements of the City's governmental activities increased 20%, or approximately \$153,000, in fiscal 2009 from fiscal 2008. Public safety and public works disbursements increased approximately \$65,000 and \$34,000 respectively. Culture and recreation disbursements increased approximately \$13,000.
- The City's total cash basis net assets increased 3%, or approximately \$36,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$18,000 and the assets of the business type activities increased by approximately \$18,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, garbage, and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, garbage, utility deposit funds and sewer reserve funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, increasing from approximately \$981,000 to approximately \$999,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30,		
	2009	2008	
Receipts and transfers:			
Program receipts:			
Charges for service	\$ 22,836	\$ 7,245	
Operating grants, contributions and restricted interest	115,756	131,531	
Capital grants, contributions and restricted interest	28,046	-	
General receipts:			
Property tax	312,515	281,435	
Local option sales tax	75,345	75,659	
Grants and contributions not restricted to specific purposes	73,955	-	
Unrestricted interest on investments	16,681	22,880	
Bond proceeds	-	-	
Other general receipts	136,659	224,440	
Total receipts	\$ 781,793	\$ 743,190	
Disbursements:			
Public safety	\$ 229,945	\$ 165,245	
Public works	130,281	95,783	
Health and social services	-	-	
Culture and recreation	172,678	159,321	
Community and economic development	24,522	14,123	
General government	111,886	71,614	
Debt service	16,083	16,477	
Capital projects	78,379	88,224	
Total disbursements	\$ 763,774	\$ 610,787	
Change in cash basis net assets before transfers	\$ 18,019	\$ 132,403	
Transfers, net	-	-66,397	
Change in cash basis net assets	\$ 18,019	\$ 66,006	
Cash basis net assets beginning of year	981,877	915,871	
Cash basis net assets end of year	\$ 999,896	\$ 981,877	

The City's total receipts for governmental activities increased 5%, or approximately \$39,000. The total cost of all programs and services increased approximately \$153,000 or 20% with no new programs added this year. The increase in receipts was primarily the result of increased property taxes received.

The City's property tax receipts increased approximately \$31,000 in 2009. Based on no change in the total assessed valuation, property tax receipts are budgeted to remain steady next year.

The cost of all governmental activities this year was approximately \$764,000 compared to approximately \$611,000 last year. However, as shown in the Statement of Activities and Net Assets on page 9, the amount taxpayers ultimately financed for these activities was only \$597,000 because some of the cost was paid by those directly benefited from the programs (\$23,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$144,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$743,000 to approximately \$782,000, principally due to increased property taxes and unrestricted grants and contributions. The City paid for the remaining "public benefit" portion of governmental activities (\$597,000) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

#### Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Garbage	\$ 66,642	\$ 64,660
Water	71,220	72,118
Sewer	103,293	99,039
Utility deposits	1,021	1,131
General receipts:		
Unrestricted interest on investments	519	1,063
Bond proceeds	-	-
Other general receipts	1,183	9,040
Total receipts	<u>\$ 243,878</u>	<u>\$ 247,051</u>
Disbursements:		
Garbage	\$ 62,720	\$ 59,096
Water	55,559	49,487
Sewer	107,429	69,027
Utility deposits	-	429
Total disbursements	<u>\$ 225,708</u>	<u>\$ 178,039</u>
Change in cash basis net assets before transfers	\$ 18,170	\$ 69,012
Transfers, net	-	-
Change in cash basis net assets	<u>\$ 18,170</u>	<u>\$ 69,012</u>
Cash basis net assets beginning of year	330,080	261,068
Cash basis net assets end of year	<u>\$ 348,250</u>	<u>\$ 330,080</u>

Total business type activities receipts for the fiscal year were approximately \$348,000 compared to approximately \$330,000 last year. This slight increase was due primarily to the increased charges for service. The cash balance increased approximately \$18,000 from the prior year because spending was conservative. Total disbursements for the fiscal year increased 21% to approximately \$226,000.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Janesville completed the year, its governmental funds reported a combined fund balance of \$999,896, an increase of more than \$18,000 above last year's total of \$981,877. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$50,010 from the prior year to \$719,190. Approximately \$19,000 of this increase was due to a transfer in from the local option sales tax fund.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$44,632 to a balance of \$33,141 during the last year. This decrease was attributable to street improvement projects.
- The Debt Service Fund cash balance increased \$86 to \$11,454 during the fiscal year. The increase was due to an increase in property tax. Bond principal and interest payment decreased \$394 in fiscal 2009.
- The Capital Projects Fund cash balance decreased \$10,585 during the fiscal year. The decrease was due to bridge repairs.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility Fund cash balance increased \$16,498 to \$126,736, due primarily to an increase in the sale of water.
- The Sewer Fund cash balance decreased \$3,529 to \$140,865, due primarily to increased repairs and maintenance expenses.
- The Garbage Fund cash balance increased \$4,180 to \$47,764, due primarily to an increase in garbage collection fees.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2009 and resulted in an increase in operating disbursements related to public works of approximately \$132,000. The amendment also increased revenues by approximately \$86,000. The increase is related to additional grant money received.

The City's receipts were \$21,076 less than budgeted. This was primarily due to the City receiving less in sewer, water and garbage charges for service than anticipated.

Total disbursements were \$294,156 less than the amended budget. However, the actual disbursements for the capital projects and community and economic development functions were \$63,392 and \$18,972 respectively, over the amended budget. This was primarily due to reclassifying expenses and debt payments.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$343,000 in bonds and other long-term debt outstanding, compared to \$409,778 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds	\$ 131,000	\$ 142,000
Revenue bonds	140,000	165,000
TIF Revenue loans	72,000	90,000
Capital leases	-	12,778
Total	\$ 343,000	\$ 409,778

Debt decreased as a result of principal payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$343,000 is significantly below its constitutional debt limit of approximately \$2.24 million.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES**

The City of Janesville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than at the national level. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices.

These indicators were taken into account when adopting the budget for the fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$1.0 million, a decrease of 5% over the final 2009 budget. Intergovernmental sources are expected to lead this decrease. The City will use these receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease approximately \$277,000. Decreased repairs and improvements represent the largest decreases. The City has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$75,000 by the close of 2010.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christine Murley, City Clerk, 227 Main Street, Janesville IA 50647.

## **Basic Financial Statements**

**City of Janesville**

**Statement of Activities and Net Assets – Cash Basis**

**As of and for the year ended June 30, 2009**

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 229,945	\$ 6,396	\$ 93,186	\$ 4,400
Public works	130,281	-	-	23,646
Health and social services	-	-	-	-
Culture and recreation	172,678	16,440	22,579	-
Community and economic development	24,522	-	-	-
General government	111,886	-	-	-
Debt service	16,083	-	-	-
Capital projects	78,379	-	-	-
Total governmental activities	\$ 763,774	\$ 22,836	\$ 115,765	\$ 28,046
Business type activities:				
Water	\$ 55,559	\$ 71,220	\$ -	\$ -
Sewer	107,429	103,293	-	-
Garage	62,720	66,642	-	-
Utility deposits	-	1,021	-	-
Total business type activities	\$ 225,708	\$ 242,176	\$ -	\$ -
Total	\$ 989,482	\$ 265,012	\$ 115,765	\$ 28,046

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities		Business Type Activities		Total
\$	-125,963	\$	-	\$ -125,963
	-106,635		-	-106,635
	-		-	-
	-133,659		-	-133,659
	-24,522		-	-24,522
	-111,886		-	-111,886
	-16,083		-	-16,083
	-78,379		-	-78,379
\$	-597,127	\$	-	\$ -597,127
\$	-	\$	15,661	\$ 15,661
	-		-4,136	-4,136
	-		3,922	3,922
	-		1,021	1,021
\$	-	\$	16,468	\$ 16,468
\$	-597,127	\$	16,468	\$ -580,659

**City of Janesville**

**Statement of Activities and Net Assets – Cash Basis**

**As of and for the year ended June 30, 2009**

	Program Receipts		
	Charges for	Operating	Capital
Disbursements	Service	Grants, Contributions, & Restricted Interest	Grants, Contributions & Restricted Interest
<b>General Receipts:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted: Debt service			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ 296,346	\$ -	\$ 296,346
16,169	-	16,169
22,464	-	22,464
75,345	-	75,345
73,955	-	73,955
16,681	519	17,200
-	-	-
114,186	1,183	115,369
-	-	-
-	-	-
\$ 615,146	\$ 1,702	\$ 616,848
\$ 18,019	\$ 18,170	\$ 36,189
981,877	330,080	1,311,957
\$ 999,896	\$ 348,250	\$ 1,348,146
\$ 33,141	\$ -	\$ 33,141
40,876	-	40,876
11,454	21,600	33,054
171,589	-	171,589
742,836	326,650	1,069,486
\$ 999,896	\$ 348,250	\$ 1,348,146

**City of Janesville**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2009**

	General	Special Revenue Road Use Tax	Debt Service
Receipts:			
Property tax	\$ 296,346	\$ -	\$ 16,169
Tax increment financing collections	-	-	-
Other city tax	5,449	-	-
Licenses and permits	1,190	-	-
Use of money and property	25,600	-	-
Intergovernmental	165,540	68,782	-
Charges for service	12,728	-	-
Special assessments	-	-	-
Miscellaneous	55,400	1,850	-
Total receipts	\$ 562,253	\$ 70,632	\$ 16,169
Disbursements:			
Operating:			
Public safety	\$ 229,945	\$ -	\$ -
Public works	4,678	125,603	-
Health and social services	-	-	-
Culture and recreation	172,678	-	-
Community and economic development	1,552	-	-
General government	111,886	-	-
Debt service	-	-	16,083
Capital projects	-	-	-
Total disbursements	\$ 520,739	\$ 125,603	\$ 16,083
Excess (deficiency) of receipts over (under) disbursements	\$ 41,514	\$ -54,971	\$ 86
Other financing sources (uses):			
Bond proceeds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	18,835	10,339	-
Operating transfers out	-10,339	-	-
Total other financing sources (uses)	\$ 8,496	\$ 10,339	\$ -
Net change in cash balances	\$ 50,010	\$ -44,632	\$ 86
Cash balances beginning of year	669,180	77,773	11,368
Cash balances end of year	\$ 719,190	\$ 33,141	\$ 11,454
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	\$ -	\$ 11,454
Unreserved:			
General fund	719,190	-	-
Special revenue fund	-	33,141	-
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 719,190	\$ 33,141	\$ 11,454

See notes to financial statements.

Capital Projects	Nonmajor	Total
\$ -	\$ -	\$ 312,515
-	22,464	22,464
-	75,345	80,794
-	-	1,190
-	-	25,600
-	23,646	257,968
-	-	12,728
10,700	-	10,700
584	-	57,834
<u>\$ 11,284</u>	<u>\$ 121,455</u>	<u>\$ 781,793</u>
\$ -	\$ -	\$ 229,945
-	-	130,281
-	-	-
-	-	172,678
-	22,970	24,522
-	-	111,886
-	-	16,083
78,379	-	78,379
<u>\$ 78,379</u>	<u>\$ 22,970</u>	<u>\$ 763,774</u>
<u>\$ -67,095</u>	<u>\$ 98,485</u>	<u>\$ 18,019</u>
\$ -	\$ -	\$ -
-	-	-
56,510	-	85,684
-	-75,345	-85,684
<u>\$ 56,510</u>	<u>\$ -75,345</u>	<u>\$ -</u>
\$ -10,585	\$ 23,140	\$ 18,019
182,174	41,382	981,877
<u>\$ 171,589</u>	<u>\$ 64,522</u>	<u>\$ 999,896</u>
\$ -	\$ -	\$ 11,454
-	-	719,190
-	64,522	97,663
171,589	-	171,589
<u>\$ 171,589</u>	<u>\$ 64,522</u>	<u>\$ 999,896</u>

## City of Janesville

**Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Governmental Funds  
As of and for the year ended June 30, 2009**

<b>Total governmental funds cash balances (page 12)</b>	\$ 999,896
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*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

None

<b>Cash basis net assets of governmental activities (page 11)</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 999,896</div>
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<b>Net change in cash balances (page 11)</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 18,019</div>
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*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

None

<b>Change in cash balance of governmental activities (page 12)</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 18,019</div>
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**City of Janesville**

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds**

**As of and for the year ended June 30, 2009**

	Enterprise Funds	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 71,220	\$ 103,293
Operating disbursements:		
Business type activities	\$ 55,559	\$ 107,428
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 15,661	\$ -4,135
Non-operating receipts (disbursements):		
Interest on investments	\$ -	\$ 519
Miscellaneous	837	87
Net non-operating receipts (disbursements)	\$ 837	\$ 606
Excess of receipts over disbursements	\$ 16,498	\$ -3,529
Cash balances beginning of year	\$ 110,238	\$ 144,394
Cash balances end of year	\$ 126,736	\$ 140,865
<b>Cash Basis Fund Balances</b>		
Reserved for debt service	\$ -	\$ -
Unreserved	126,736	140,865
Total cash basis fund balance	\$ 126,736	\$ 140,865

See notes to financial statements.

Enterprise Funds		
Garbage	Non-Major	Total
\$ 66,642	\$ 1,021	\$ 242,176
\$ 62,721	\$ -	\$ 225,708
\$ 3,921	\$ 1,021	\$ 16,468
\$ -	\$ -	\$ 519
259	-	1,183
\$ 259	\$ -	\$ 1,702
\$ 4,180	\$ 1,021	\$ 18,170
\$ 43,584	\$ 31,864	\$ 330,080
\$ 47,764	\$ 32,885	\$ 348,250
\$ -	\$ 21,600	\$ 21,600
47,764	11,285	326,650
\$ 47,764	\$ 32,885	\$ 348,250

## City of Janesville

**Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds  
As of and for the year ended June 30, 2009**

<b>Total enterprise funds cash balances (page 14)</b>	\$ 348,250
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
<b>Cash basis net assets of business type activities (page 11)</b>	<u>\$ 348,250</u>
<b>Net change in cash balances (page 11)</b>	\$ 18,170
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
<b>Change in cash balance of business type activities (page 14)</b>	<u>\$ 18,170</u>

**City of Janesville**

**Notes to Financial Statements**

**June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Janesville is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Janesville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, City Assessor's Conference Board, Bremer County Emergency Management Commission, Bremer County Landfill Commission and Bremer County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

C. Measurement Focus and Basis of Accounting

The City of Janesville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the Community and Economic Development and Capital Projects functions.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the City had the following investments in Certificates of Deposit:

	Interest Rate	Maturity	Carrying Amount	Fair Value
State Bank and Trust	2.20%	7-21-09	\$57,713	\$57,713
State Bank and Trust	2.15%	9-24-09	9,960	9,960
State Bank and Trust	1.00%	8-18-09	37,479	37,479
State Bank and Trust	1.90%	8-17-09	21,425	21,425
Total			<u>\$126,577</u>	<u>\$126,577</u>

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	Water Utility General Obligation Bonds		Sewer Revenue Bond	
	Principal	Interest	Principal	Interest
2010	\$11,000	\$4,624	\$15,000	\$7,000
2011	12,000	4,236	15,000	6,250
2012	12,000	3,812	15,000	5,500
2013	12,000	3,389	20,000	4,750
2014	13,000	2,965	20,000	3,750
Thereafter	71,000	7,695	55,000	5,250
Total	\$131,000	\$26,721	\$140,000	\$32,500

Year Ending June 30,	Economic Development Loan (NE Machine & Tool)	
	Principal	Interest
2010	\$18,000	\$3,674
2011	18,000	2,625
2012	18,000	1,578
2013	18,000	526
2014	-	-
Thereafter	-	-
Total	\$72,000	\$8,403

Year Ending June 30,	Total	
	Principal	Interest
2010	\$44,000	\$15,298
2011	45,000	13,111
2012	45,000	10,890
2013	50,000	8,665
2014	33,000	6,715
Thereafter	126,000	12,945
Total	\$343,000	\$67,624

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

### NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$25,514, equal to the required contribution for the year.

#### **NOTE 5 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,089
Sick leave	<u>17,211</u>
Total	<u>\$ 21,300</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

#### **NOTE 6 – INTER-FUND TRANSFERS**

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue Fund: Road Use Tax	General Fund	<u>\$ 10,339</u>
General Fund	Special Revenue: Local Option Sales Tax	<u>\$ 18,836</u>
Capital Projects	Special Revenue: Local Option Sales Tax	<u>\$ 56,509</u>
Total		<u>\$ 85,684</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### **NOTE 7 – RISK MANAGEMENT**

The City of Janesville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Other Supplementary Information**

**City of Janesville**

**Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 312,515	\$ -	\$ -
Tax increment financing collections	22,464	-	-
Other city tax	80,794	-	-
Licenses and permits	1,190	-	-
Use of money and property	25,600	519	-
Intergovernmental	257,968	-	-
Charges for service	12,728	242,176	12,728
Special assessments	10,700	-	-
Miscellaneous	57,834	1,183	52,385
Total receipts	\$ 781,793	\$ 243,878	\$ 65,113
Disbursements:			
Public safety	\$ 229,945	\$ -	\$ -
Public works	130,281	-	-
Health and social services	-	-	-
Culture and recreation	172,678	-	-
Community and economic development	24,522	-	-
General government	111,886	-	-
Debt service	16,083	-	-
Capital projects	78,379	-	-
Business type activities	-	225,708	-
Total disbursements	\$ 763,774	\$ 225,708	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 18,019	\$ 18,170	\$ 65,113
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 18,019	\$ 18,170	\$ 65,113
Balances beginning of year	981,877	330,080	-
Balances end of year	\$ 999,896	\$ 348,250	\$ 65,113

See accompanying independent auditor's report.

Total		Budgeted Original	Amounts Final	Final to Net Variance
\$	312,515	\$ 275,484	\$ 275,484	\$ 37,031
	22,464	22,724	22,724	-260
	80,794	85,239	85,239	-4,445
	1,190	1,345	1,345	-155
	26,119	20,443	24,657	1,462
	257,968	163,230	226,530	31,438
	242,176	264,580	264,580	-22,404
	10,700	-	8,177	2,523
	6,632	64,100	72,898	-66,266
\$	960,558	\$ 897,145	\$ 981,634	\$ -21,076
\$	229,945	\$ 254,488	\$ 275,692	\$ 45,747
	130,281	108,790	240,560	110,279
	-	-	-	-
	172,678	255,746	304,321	131,643
	24,522	5,550	5,550	-18,972
	111,886	102,203	132,005	20,119
	16,083	38,808	38,808	22,725
	78,379	14,987	14,987	-63,392
	225,708	487,200	271,715	46,007
\$	989,482	\$ 1,267,772	\$ 1,283,638	\$ 294,156
\$	-28,924	\$ -370,627	\$ -302,004	\$ -273,080
\$	-28,924	\$ -370,627	\$ -302,004	\$ -273,080
	1,311,957	942,573	1,307,607	-4,350
\$	1,283,033	\$ 571,946	\$ 1,005,603	\$ -277,430

**City of Janesville**

**Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2009**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$15,866 and budget revenues by \$84,489. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the Community and Economic Development and Capital Project functions.

**City of Janesville**

**Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Non-major Governmental Funds**

**As of and for the year ended June 30, 2009**

	Special Revenue	
	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:		
Tax increment financing	\$ 22,464	\$ -
Other city tax	-	75,345
Intergovernmental	-	-
Total receipts	<u>\$ 22,464</u>	<u>\$ 75,345</u>
Disbursements:		
Operating:		
Community and economic development	\$ 22,970	\$ -
Capital projects	-	-
Total disbursements	<u>\$ 22,970</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -506	\$ 75,345
Other financing uses:		
Operating transfers out	-	-75,345
Net change in cash balances	\$ -506	\$ -
Cash balances beginning of year	41,382	-
Cash balances end of year	<u>\$ 40,876</u>	<u>\$ -</u>
Cash Basis Fund Balances		
Unreserved:		
Special revenue funds	\$ 40,876	\$ -
Capital projects fund	-	-
Total cash basis fund balances	<u>\$ 40,876</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Community Disaster Grant		Total
\$	-	\$ 22,464
	-	75,345
	23,646	23,646
\$	23,646	\$ 121,455

\$	-	\$ 22,970
	-	-
\$	-	\$ 22,970

\$	23,646	\$ 98,485
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	-	-75,345
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\$	23,646	\$ 23,140
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	-	41,382
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\$	23,646	\$ 64,522
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\$	23,646	\$ 64,522
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	-	-
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\$	23,646	\$ 64,522
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## City of Janesville

**Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Non-Major Proprietary Funds**

**As of and for the year ended June 30, 2009**

	Enterprise		
	Sewer Reserve	Utility Deposit	Total
Receipts:			
Charges for service	\$ -	\$ 1,021	\$ 1,021
Disbursements:			
Business type activities	\$ -	\$ -	\$ -
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -	\$ 1,021	\$ 1,021
Cash balances beginning of year	\$ 21,600	\$ 10,264	\$ 31,864
Cash balances end of year	\$ 21,600	\$ 11,285	\$ 32,885
Cash Basis Fund Balances			
Reserved for debt service	\$ 21,600	\$ -	\$ 21,600
Unreserved	-	11,285	11,285
Total cash basis fund balances	\$ 21,600	\$ 11,285	\$ 32,885

**City of Janesville**  
**Schedule of Indebtedness**  
**Year ended June 30, 2009**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds: Water Utility	3-1-99	3.53%	<u>\$225,000</u>
Revenue Bonds: Sewer	5-12-78	5.00%	<u>\$364,000</u>
Capital Lease: Fire Truck	12-8-98	5.20%	<u>\$102,804</u>
Economic Development Loan (NE Machine & Tool)	3-27-06	5.75%	<u>\$90,000</u>

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$142,000	\$-	\$11,000	\$131,000	\$5,013	\$-
\$165,000	\$-	\$25,000	\$140,000	\$16,000	\$-
\$12,799	\$-	\$12,799	\$-	\$664	\$-
\$90,000	\$-	\$18,000	\$72,000	\$4,730	\$-

## City of Janesville

## Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Economic Development Loan	
	Water Utility		Sewer		(NE Machine & Tool)	
	Issued March 1, 1999		Issued May 12, 1978		Issued March 27, 2006	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2010	3.53%	\$11,000	5.00%	\$15,000	5.75%	\$18,000
2011	3.53%	12,000	5.00%	15,000	5.75%	18,000
2012	3.53%	12,000	5.00%	15,000	5.75%	18,000
2013	3.53%	12,000	5.00%	20,000	5.75%	18,000
2014	3.53%	13,000	5.00%	20,000		-
Thereafter	3.53%	71,000	5.00%	55,000		-
Total		<u>\$131,000</u>		<u>\$140,000</u>		<u>\$72,000</u>

Year Ending June 30,	Total
2010	\$44,000
2011	45,000
2012	45,000
2013	50,000
2014	33,000
Thereafter	126,000
Total	<u>\$343,000</u>

## City of Janesville

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

For the Last Two Years

	2009	2008
Receipts:		
Property tax	\$ 312,515	\$ 281,435
Tax increment financing	22,464	-
Other city tax	80,794	86,737
Licenses and permits	1,190	1,663
Use of money and property	25,600	31,798
Intergovernmental	257,968	173,117
Charges for service	12,728	7,245
Special assessments	10,700	-
Miscellaneous	57,834	94,798
Other financing sources	-	66,397
Total	<u>\$ 781,793</u>	<u>\$ 743,190</u>
Disbursements:		
Operating:		
Public safety	\$ 229,945	\$ 165,245
Public works	130,281	95,783
Health and social services	-	-
Culture and recreation	172,678	159,321
Community and economic development	24,522	14,123
General government	111,886	71,614
Debt service	16,083	16,477
Capital projects	78,379	88,224
Total	<u>\$ 763,774</u>	<u>\$ 610,787</u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated January 22, 2010. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City of Janesville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of City of Janesville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of City of Janesville's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Janesville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of City of Janesville's financial statements that is more inconsequential will not be prevented or detected by City of Janesville's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Janesville's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A-09 and I-B-09 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Janesville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Janesville's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit City of Janesville's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Janesville and other parties to whom City of Janesville may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of City of Janesville during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC", written in a cursive style.

Keith Oltrogge  
Certified Public Accountant

January 22, 2010

**City of Janesville**

**Schedule of Findings**

**Year ended June 30, 2009**

**Part I – Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain functions are not entirely segregated.

Recommendation – I realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We continue to review procedures and make changes to improve internal control.

Conclusion – Response accepted.

I-B-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by US generally accepted accounting principles. The City does not have internal resources to prepare the full-disclosure financial statements required by US generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most small governments and non-profit entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purpose is difficult. However, I recommend that the City continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**City of Janesville**  
**Schedule of Findings**  
**Year ended June 30, 2009**

**Part II: Other Findings Related to Statutory Reporting:**

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the Community and Economic Development and Capital Project functions. Chapter 384.20 of the Code of Iowa states, in part, that “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-09 Questionable Disbursements – There were no disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Richard White, Council Member, Owner of Whitey’s Auto	Supplies	\$224
Scott Immerzeel, Council Member, Is employed at Gierke-Robinson	Repairs	\$6,486

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Members do not appear to represent conflicts of interest. Total transactions with one individual were less than \$1,500 during the fiscal year. The transaction with the Council member who is an employee does not appear to represent a conflict of interest since he was not making the repairs.

II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Council Minutes – One transaction was found that I believe should have been approved in the Council minutes but was not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish monthly receipts.

Recommendation – The City should comply with Chapter 372 of the Code of Iowa and should publish minutes and receipts as required.

Response – We will publish minutes and receipts as required. We will review the transaction listings to ensure all transactions are included.

Conclusion – Response accepted.

**City of Janesville**  
**Schedule of Findings**  
**Year ended June 30, 2009**

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-09 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion – Response accepted.

II-I-09 Revenue Notes – No instances of non-compliance with the sewer revenue not provisions were noted.